

January 2026



Market Data

World Stock Market Indices
data as of 12/31/2025 unless
otherwise noted.

	Change (11/28/2025)	%CHG
S&P 500 6,845.50	(3.59)	(0.05%)
NASDAQ 23,241.99	(123.70)	(0.53%)
DOW JONES 48,063.29	346.87	0.73%
FTSE (UK) 9,931.38	210.87	2.17%
DAX (Germany) - as of 12/30/2025 24,490.41	709.66	(0.29%)
Hang Seng (Hong Kong) 25,630.54	(228.35)	(0.88%)
Nikkei (Japan) - as of 12/30/2025 50,339.48	85.57	0.002%

*Source: Bloomberg. Please see
descriptions of indices on Page 2.*

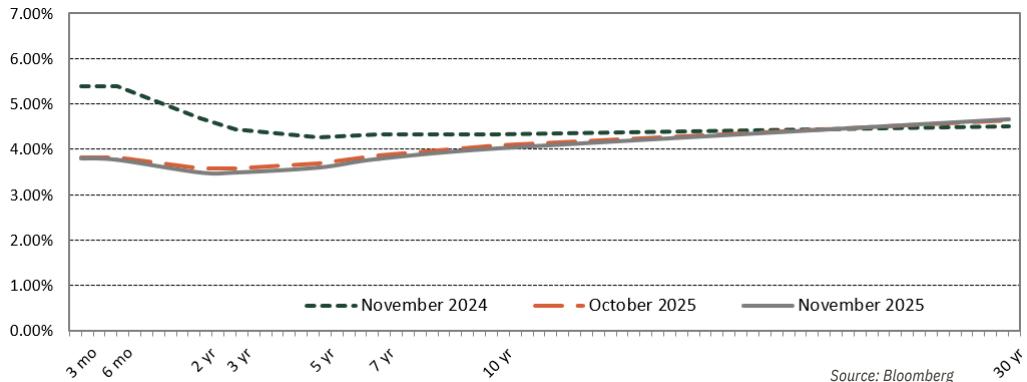
Market Summary

December economic data signaled moderating inflation alongside a continued rebalancing in labor market conditions, with price pressures still running modestly above the Federal Reserve's longer-run objective and the unemployment rate dropping to 4.4%. As the data flow normalizes, the Chandler team anticipates additional yield curve steepening as the Federal Reserve gradually guides the policy rate toward a more neutral range. One additional 25 basis point rate cut is likely in the first half of 2026, while U.S. trade and fiscal policy continue to represent important sources of elevated market uncertainty.

2025 concluded with the Federal Reserve's December FOMC meeting providing a third consecutive 25-basis-point rate cut, bringing the target range down to 3.50%–3.75%. Policymakers remain divided on the next steps: four officials project one additional 25-basis-point cut in 2026, another four see no further easing, eight anticipate multiple cuts, while three call for a possible rate hike. Chair Jerome Powell emphasized that the Fed is now "well placed to wait and see" how labor market conditions and inflation evolve before making further adjustments.

The US Treasury yield curve steepened in December, as the 2-year Treasury yield dropped 2 basis points to 3.48%, the 5-year Treasury was up 13 basis points to 3.73%, and the 10-year Treasury yield was 15 basis points higher at 4.17%. The spread between the 2-year and 10-year Treasury yield points on the curve was 17 basis points wider from November at +69 basis points at December month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was +33 basis points. The spread between the 3-month and 10-year Treasury yield points on the curve was +54 basis points in December versus +21 basis points in November.

U.S. Treasury Yields



After the FOMC ultimately delivered its third cut of the year at the December meeting, markets are priced in at least one additional 25-basis-point cut in the first half of 2026. To finish out the year, the Federal Reserve lowered the federal funds target range to 3.50%–3.75% in 2025. In total, three moves reduced the policy rate by 75 basis points and were followed by a notable steepening of the yield curve. These developments have been consistent with the Chandler team's view that lower short-term rates would contribute to a steeper yield curve, and the team expects this steepening trend to persist into the first half of 2026, albeit at a more moderate pace.

TREASURY YIELDS	Trend (▲/▼)	12/31/2025	11/28/2025	Change
3-Month	▼	3.63	3.80	(0.17)
2-Year	▼	3.48	3.49	(0.02)
3-Year	▲	3.54	3.49	0.05
5-Year	▲	3.73	3.60	0.13
7-Year	▲	3.94	3.79	0.16
10-Year	▲	4.17	4.02	0.15
30-Year	▲	4.85	4.66	0.18

BOND MARKET REVIEW

Since 1988, Chandler Asset Management has specialized in providing fixed income investment solutions to risk-averse public agencies and institutions. Chandler's mission is to provide fully customizable client-centered portfolio management that preserves principal, mitigates risk, and generates income in our clients' portfolios.

Credit spreads were tighter in December

CREDIT SPREADS	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	0.03	0.07	(0.03)
2-year A corporate note	0.36	0.37	(0.01)
5-year A corporate note	0.51	0.57	(0.06)
5-year Agency note	0.03	0.04	(0.01)

Source: Bloomberg

Data as of 12/31/2025

Crude oil prices decreased in December

ECONOMIC INDICATOR	Current Release	Prior Release	One Year Ago
Trade Balance	(29.35) \$B OCT. 31	(48.14) \$B SEP. 30	(74.25) \$B OCT. 31
Gross Domestic Product	4.30% SEP. 30	4.30% SEP. 30	3.30% SEP. 30
Unemployment Rate	4.40% DEC. 31	4.50% NOV. 30	4.10% DEC. 31
Prime Rate	6.75% DEC. 31	7.00% NOV. 28	7.50% DEC. 31
Refinitiv/CoreCommodity CRB Index	298.78 DEC. 31	301.49 NOV. 28	296.72 DEC. 31
Oil (West Texas Int.)	\$57.42 DEC. 31	\$58.58 NOV. 28	\$71.72 DEC. 31
Consumer Price Index (y/o/y)	2.70% DEC. 31	2.70% NOV. 28	2.70% DEC. 31
Producer Price Index (y/o/y)	2.90% NOV. 30	2.50% OCT. 31	2.00% NOV. 30
Euro/Dollar	1.17 DEC. 31	1.16 NOV. 28	1.04 DEC. 31

Source: Bloomberg

Economic Roundup

Consumer Prices

The Consumer Price Index (CPI) showed that inflation remained relatively subdued in December, with headline CPI and core CPI holding at 2.7% and 2.6% respectively year-over-year. Shelter has continued to play a central but gradually moderating role in services inflation. December data keeps inflation close to the prior month's pace and consistent with a trend of easing price pressures. The Personal Consumption Expenditures (PCE) Index for September, released on December 5, showed headline inflation up 0.3% from August and 2.8% year over year. Core PCE rose 0.2% on the month and 2.8% on an annual basis.

Retail Sales

November Retail Sales rose 0.6% from October and 3.3% from a year earlier, while the control group measure which feeds into GDP rose a solid 0.4% on the month after an even stronger 0.8% gain in October. This confirms that underlying goods spending excluding the most volatile categories remained resilient into the start of the holiday season. The government shutdown may have weighed on consumer confidence regarding jobs, incomes, and overall financial conditions, both current and in the future. The Conference Board's Consumer Confidence Index declined to 89.1 in December from an upwardly revised 92.9 in November, marking its fifth consecutive monthly drop. Consumers remained pessimistic about both business conditions and the labor market.

Labor Market

The December Nonfarm Payrolls report showed weaker-than-expected job growth, with payrolls rising by 50,000 compared with the consensus estimate of 70,000. This follows a downwardly revised gain of 56,000 in November. Employment declines were most pronounced in retail trade and construction, while leisure and hospitality posted the strongest gains. Notably, the unemployment rate edged down to 4.4% after increasing to 4.6% in November.

Housing Starts

The S&P Cotality Case-Shiller 20-City Composite Home Price Index rose 1.3% year over year in October, slightly down from a 1.4% gain in September and marking the slowest annual increase since mid-2023. Short-term momentum also weakened, with 80 percent of the 20 tracked markets recording month-over-month price declines on a non-seasonally adjusted basis. Housing starts declined in October to an annualized rate of 1.25 million units, down from 1.29 million in September. Existing home sales inched higher in November to a 4.13 million-unit pace, indicating only modest improvement despite some relief in mortgage rates. The Freddie Mac 30-year fixed mortgage rate fell throughout 2025 and averaged 6.18% at the end of December.

World Stock Market Index Descriptions

S&P 500—The S&P 500 is a market value-weighted index of 500 large-capitalization stocks. The 500 companies included in the index capture approximately 80% of available US market capitalization. NASDAQ—The NASDAQ Composite Index is the market capitalization-weighted index of over 3,300 common stocks listed on the NASDAQ stock exchange. Dow Jones—The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Financial Times Stock Exchange Group (FTSE)—The FTSE is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. DAX—The Deutscher Aktienindex (DAX) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. Hang Seng—The Hang Seng Index is a freefloat-adjusted market-capitalization-weighted stock market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of overall market performance in Hong Kong. Nikkei—Japan's Nikkei 225 Stock Average is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

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